

TRANSMITTAL SLIP		14 NOV 84	
TO:		A/NIO/Econ	
ROOM NO.	BUILDING		
REMARKS:			
<p>Pls return to Barbara for NIO/Econ GCEA File.</p>			
FROM:			
ROOM NO.	BUILDING	EXTENSION	

FORM NO.
1 FEB 58 **241**

REPLACES FORM 36-8
WHICH MAY BE USED.

(47)

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/ECON		X	11/14	<i>[Signature]</i>
20					
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SUSPENSE _____ Date _____

Remarks

CC: CCI

3637 (10-81)

Executive Secretary
14 Nov 84
Date

STAT
S

WASHINGTON

Executive Registry

84 - 9906

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 11/13/84 Number: 169091CA Due By: _____

Subject: Cabinet Council on Economic Affairs Planning Meeting

November 15, 1984 - 8:45 A.M. TOPICS: Federal, State, Local Fiscal Relations
Leveraged Buyouts

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Chapman	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
			CCCT	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCFA	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCLP	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCMA	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

There will be a Cabinet Council on Economic Affairs planning meeting on Thursday, November 15, at 8:45 A.M. in the Roosevelt Room.

The agenda and background papers are attached.

RETURN TO:

☐ Craig L. Fuller
 Assistant to the President
 for Cabinet Affairs

☐ Don Clarey ☒ Tom Gibson ☐ Larry Herbolsheimer
 Associate Director
 Office of Cabinet Affairs

THE WHITE HOUSE

WASHINGTON

November 13, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RB*

SUBJECT: Agenda and Papers for the November 15 Meeting

The agenda and a supplementary paper for the November 15 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The first agenda item is a review of the Treasury Studies of Federal-State-Local Fiscal Relations. Last year, the legislation reauthorizing the Revenue Sharing Program directed the Secretary of the Treasury to conduct an extensive series of studies of Federal-State-Local fiscal relations. These studies have generated a good deal of interest. A memorandum from Thomas Healey providing background on these studies and describing the timetable for their completion was distributed to Council members on October 12.

The second agenda item is a review of recent leveraged buyout transactions. At the October 16 meeting of the Cabinet Council the increasing debt leverage in the U.S. economy was noted, especially with regard to leveraged buyouts. A paper from Thomas Healey assessing the current situation and potential concerns with respect to leveraged buyouts was distributed to Council members on October 18 for the October 25 meeting. Time constraints did not permit us to consider the issue at that time. An additional paper, "Update on Leveraged Buyouts," is attached.

Attachments

THE WHITE HOUSE
WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

November 15, 1984

8:45 a.m.

Roosevelt Room

AGENDA

1. Treasury Studies of Federal-State-Local Fiscal Relations (CM # 493)
2. Leveraged Buyouts (CM # 497)



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

November 9, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: Thomas J. Healey *TJH*
SUBJECT: Update on Leveraged Buyouts ("LBOs")

1. According to Goldman Sachs, & Co., the amount of leveraged buyouts completed in the first 9 months of 1984 is approximately \$9.0 billion (the prior paper indicates \$6.3 billion through the first 6 months).

2. The Tax Reform Act of 1984 may have encouraged increased numbers of LBOs by giving certain tax advantages to Employee Stock Ownership Plans ("ESOPs"). There are two relevant provisions of the Internal Revenue Code of 1954: 1) Section 133 which allows banks, insurance companies and other commercial lending institutions to exclude from income one-half of the interest paid by ESOPs on loans used to acquire employer securities; and 2) Section 1042 which allows a stockholder selling stock in a private company to an ESOP to defer recognition of gain if, after the sale, the ESOP has at least a 30% stock interest in the corporation and the seller invests the sale proceeds in stock or securities of another corporation within 12 months. Although the jury is still out on the actual impact of the two ESOP provisions, the private sector is closely reviewing the possible uses of these tax incentives in structuring LBOs. Tax Legislative Council of U.S. Treasury is carefully reviewing the provisions and will propose appropriate legislative changes if they are needed.